IDAHO BANKING COMPANY
The art of banking.

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April 5, 2006

Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: FRB Docket No. OP-1246
Proposed Interagency Guidance on CRE Concentrations

Dear Ms. Johnson:

On January 13, 2006 the four Federal bank and thrift regulatory agencies published a proposed Interagency Guidance on commercial real estate (CRE) lending concentrations. The draft was published with an April 14, 2006 deadline for comment.

As I read the draft, the proposed Guidance would use two thresholds for determining when a bank has a CRE concentration. The first threshold is met when a bank has total reported loans for construction, land development and other land equal to or greater than 100% of the bank's total capital. The second trigger is met when a bank has total reported loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development and other land equal to or greater than 300% of the bank's total capital. A bank meeting either of these thresholds may trigger greater regulatory scrutiny, greater risk management requirements, greater loan loss reserves or greater capital.

I understand the Agencies concerns that "in the past, weak CRE loan underwriting and depressed CRE markets have contributed to significant bank failures and instability in the banking system." But the response to the CRE related failures in the mid-eighties by both the Agencies and the banking industry in general has resulted in a new and much improved CRE paradigm. There are better and more stringent appraisal requirements, new capital requirements, limits on high LTV real estate loans and better supervisory examinations. I believe the industry in general is much more prudent in its practices and policies and I can certainly attest that Idaho Banking Company is. Even though we, like most community banks, possess a significant amount of real estate secured loans in our portfolio, the last three examinations (we are a Federal

Reserve member bank) have expressly commented on the high quality of our loan portfolio.

I'm concerned that if the proposed Guidance is issued in its current form then my bank's ability to compete with money center and large regional banks will be adversely affected. In turn, that will restrict our ability to effectively serve our local community. I strongly urge the Agencies to carefully reconsider issuing this Guidance and instead rely upon current guidance and policies during examinations to identify the few banks and thrifts that may be lending imprudently and address those institutions on a case by case basis.

Respectfully submitted,

Mike Johnston
President and CEO